

SANYO Japan
FAMILY SIZE MICROWAVE OVEN
35.9 & 27.1 LITRE OVEN CAPACITY
Free Recipe Book
Transfin Trading Ltd.
Tel: 815307-10, Fax: 813062

The Daily Star BUSINESS

DHAKA, SATURDAY, JULY 10, 1999

National Housing Finance & Investments Ltd.
Home Mortgage Loans available for:
Construction of houses
Purchase of houses or apartments
Renovation or extensions to existing properties
Purchase of housing plots in approved land developments
Telephone inquiries are welcome
Chamber Building (6th Fl.), 122-124 Motijheel, Dhaka-1000
Telephone: 955 9311-2, 955 3387, 955 3254 Fax: 956 8987

Falling imports lower Lankan trade gap

COLOMBO, July 9: Sri Lanka's trade gap in the first five months of the year shrank 28.2 per cent against the same period last year as imports declined faster than exports, the Central Bank said today, reports Reuters.

It said in its weekly economic report that the trade deficit in January-May 1999 was a provisional \$496.9 million against \$691.8 million in the same period last year.

Imports shrank 16 per cent in the first five months of this year to \$2,127.5 million from \$2,531.4 million in the same period last year.

Exports fell 11.4 per cent to \$1,630.6 million in January-May 1999 from \$1,839.6 million in the same period of the previous year.

The Bank said agriculture export fell by 21.3 per cent to \$356.7 million from \$453.4 million in the first five months of last year.

Industrial exports, mainly textiles, apparel, leather and rubber, were down by 8.9 per cent at \$1,229.2 million from \$1,349.7 million in the first five months of last year.

The drop in imports was reflected in all three major categories of imports — consumer goods, intermediate goods and investment goods.

Consumer goods imports were down 9.7 per cent, intermediate 16.4 per cent and investment goods by 17.5 per cent, the bank said.

It did not give further details.

Indian derivatives make a strong beginning

BOMBAY, July 9: Indian interest rate derivatives had made a strong start with deals worth more than two billion rupees being struck, traders said today, reports Reuters.

Traders said initial deals on Thursday, the first day of trading in such derivatives, suggested a declining trend in Indian interest rates as more players chose to receive a fixed rate than a floating rate.

The Reserve Bank of India (RBI) on Wednesday announced guidelines for interest rate swaps in India, permitting banks, primary dealers and financial institutions to enter into swap deals among themselves and with corporates.

The swaps got off to a good start. There was a fair amount of interest as well as deals taking place, said Rajiv Baruah, head of treasury-marketing at HSBC Markets said.

But there was clearly an interest in receiving fixed and moving to overnight funding, he added.

Dealers said this pattern was an indication of market expectations on rates in the near term.

Most deals were benchmarked to overnight call money rates, reflecting a lack of benchmarks in longer tenors.

In the absence of benchmarks, the natural trade will be to receive the fixed rate since the only available comparison is the overnight call money rate, said Rajiv Baruah, head of Global Markets at Deutsche Bank.

With call money rates around eight per cent, market players were happy to receive a higher fixed rate in the short tenors, traders said.

Thai central bank to cut discount rate
BANGKOK, July 9: In an effort to promote cheaper loans, Thailand's central bank said Friday it will cut its discount rate to 4.0 per cent from 5.5 per cent, effective immediately, reports AP.

Nitaya Pibulratana, deputy director of the Bank of Thailand's banking department, said at a news conference that the reduction in the discount rate — known locally as the bank rate — is intended to reduce the costs of financial institutions.

Bank funding costs are lowered, they may be able to reduce lending rates further without lowering deposit rates, she said.

The minimum prime lending rate at top commercial banks is 8.75 per cent, while interest rates offered on savings and three-month fixed-term deposit accounts are usually 4 per cent and 4.75 per cent, respectively.

To keep the momentum of economic recovery going, the Bank of Thailand wants lending rates to come down further.

However, financial authorities and institutions have to take into account social opposition to further reductions in the savings rate, given the limited investment opportunities available to most of the population.

Therefore, the central bank must look for ways to cut other factors in the funding costs of institutions.

This (discount rate) reduction will ease the interest rate burden on financial institutions that utilise the facility, and therefore help to narrow the gap between the lending and deposit rates," the central bank said in a statement.

OECF pledges \$25m more for power plant rehabilitation

Overseas Economic Cooperation Fund (OECF) of Japan has agreed to provide 25 million US dollars as unconditional grant for rehabilitation of the country's seven power stations that will recover about 150 mw power, official sources told BSS yesterday.

They said the amount would be in addition to its earlier commitment of eight million US dollars to rehabilitate a unit of Fenchuganj power station.

The OECF's commitment came at a meeting held at the Economic Relations Division (ERD) here Thursday, Chairman of the Power Development Board (PDB) Quamrul Islam

Siddique, ERD Additional Secretary Sohail Ahmed and Chief Representative of OECF in Bangladesh T. Matsozawa were, among others, present in the meeting.

The seven power stations that will benefit from the OECF grant are 110 mw Khulna (Goalpara), 90 mw Fenchuganj, 210 mw Razoan (Unit-1), 210 mw Ghorasal (Unit-4), 28 mw BIMP-1 Khulna (Goalpara), 20 mw Saidpur and 20 mw Barisal.

At least 150 mw power would be recovered after overhauling the seven power stations with a generation capacity of 688 mw, said PDB chairman, Siddique said presently

these seven power stations are generating 460 mw power which is 228 mw less than its generation capacity. He said there will be a net gain of at least 300 mw power after completion of the overhauling of the seven power stations and that of the Ashuganj, Fenchuganj and Haripur Power Stations. With this overhauling measures about 1400 mw power will be stable, he added.

The German funding agency KfW has already committed 72 million US dollars for overhauling of the 3, 4 and 5 units of 450 mw Ashuganj power station. ERD Secretary Dr Masihur

Rahman and PDB Chairman Quamrul Islam Siddique were expected to leave Dhaka for Germany yesterday night to finalise negotiations of KfW's commitment.

The government had sought 140 million US dollars from the donors for rehabilitation of some of the existing old and junk power stations.

With the new commitment of OECF's 25 million US dollars for seven power stations and eight (8) million US dollars for Fenchuganj and Haripur and KfW's 72 million US dollars for Ashuganj, the amount of donors' commitment stood at 105 million US dollars.

Japan, China strike formal WTO agreement

BEIJING, July 9: Japan and China said today they had reached a formal agreement on Beijing's bid to join the World Trade Organisation, says Reuters.

They said in a joint statement the two countries reached a formal agreement on China liberalising its services sector.

"A satisfactory conclusion has been reached in the bilateral negotiations on trade in services," the joint statement said in reference to the last area requiring agreement between the two countries.

AFP report says: "The agreement is fundamentally concluded, but now we need some time for both sides to go through a technical verifica-

tion process on the numerous items of the agreement in both trade in goods and trade in services," a Chinese trade official said.

Japanese Prime Minister Keizo Obuchi met Chinese Premier Zhu Rongji here Friday for talks aimed at smoothing China's entry into the WTO. The Japanese premier later met Chinese President Jiang Zemin.

The official Xinhua news agency quoted a joint press communique as saying "the two countries have substantially concluded negotiations on service trade, in addition to a goods trade protocol."

Japanese and Chinese ministers agreed Thursday on a bilateral protocol for Beijing's en-

try into the world trade mechanism ahead of a formal accord to be announced by the two leaders.

"We have finished what we could do at the ministerial level yesterday," a foreign ministry official said, adding that details of the agreement would be formally announced later.

With the agreement, Japan will become the first Group of Seven nation to officially approve Beijing's entry into the WTO.

Beijing agreed with Tokyo on free trade in goods, but had been reluctant to lift obstacles on foreign access to its service sectors such as the distribution, telecommunications and construction markets.

Asia needs reforms for real recovery: Central bankers

HONG KONG, July 9: Asia is showing signs of recovery from its economic crisis but reforms are needed to ensure a real return to financial health, central bankers said Friday, reports AP.

"There are certain risks that the recovery will not be sustained," said Joseph Yam, the head of the Hong Kong Monetary Authority, after central bankers from the East Asia and Pacific region held a closed-door meeting that lasted much of the day.

Stock markets around Asia have been soaring in recent weeks, though some analysts wonder overenthusiasm about the actual prospects for a rebound in some economies. Some blue chip indexes have returned to levels unseen since the Asian crisis was spreading wildly in the autumn of 1997.

The bankers spent much of their time talking about Japan,

the biggest economy in Asia that has been mired in recession. Yam told a news conference after the meeting.

Japan needs more fiscal stimulus to restart its economy and reform its financial systems if it is to resume its place as the growth engine for the entire region, the bankers said.

The bankers said they were basically satisfied with the work Asian nations have done to prepare for millennium bug computer glitches, but Yam said governments must now focus also on improving public confidence.

The bankers said they would like to see greater disclosure of the movement of private funds moving through the region, although the details of setting up a monitoring system are tricky.

"As to how we could achieve that is another matter," Yam said. "There is need for further discussion."

Yam said he soon would

meet with China's central bank governor, Dai Xianglong, to discuss problems at a Chinese conglomerate, Guangdong Enterprises (Holdings) Ltd., which is now hoping to restructure after defaulting on some US \$3.6 billion in debt.

Creditor banks and the provincial government in Guangdong have yet to reach an agreement, and on Friday a food subsidiary of the conglomerate announced it will stop making interest payments.

Yam said the Hong Kong Monetary Authority, which acts as the territory's de facto central bank, hoped to play "an intermediate role."

"The idea obviously is to get the restructuring package up and running," Yam said.

Financial troubles at several big entities in China have left Western lenders wondering how much of their money they can get back.

Big B's company falls sick

BOMBAY, July 9: The entertainment company set up by top Indian film star Amitabh Bachchan was formally declared a "sick" enterprise today, after staggering losses wiped out the firm's net worth, says AFP.

The declaration was made by the state-run Board for Industrial and Financial Reconstruction.

Bachchan, or "the Big B," is the biggest star to have come out of India's huge "Bollywood" film industry.

A recent Internet poll conducted by the British Broadcasting Corporation saw Bachchan voted "film star of the millennium," ahead of such screen legends as Charlie Chaplin and Marilyn Monroe.

Bachchan's six-year old entertainment company, Amitabh Bachchan Corp. Ltd. (ABCL) has piled up losses worth 700 million rupees (16 million dollars), well beyond its net worth of 600 million rupees.

Company officials said the board's move would offer respite from creditors who are bound by law to give 'sick companies' time to repay their dues.

"There is a stalemate now between ABCL and its creditors," said MP Narang a senior consultant for the company.

"We are in the process of submitting a revival package, which will take care of all our creditors," Narang added.

Amitabh Bachchan himself refused to comment on the new development.

"This is not the right occasion to discuss the issue of ABCL's sickness," he told reporters on the sidelines of a fund-raiser for soldiers fighting in Kashmir.

Y2K overwork drives Japanese man to suicide

TOKYO, July 9: Stress from dealing with the year 2000 computer problem drove a 40-year-old man to commit suicide last year, his wife reportedly said in a petition for compensation filed Friday, says AP.

The man, whose name was withheld, routinely put in 15-hour days at the Usaka steel sales company where he was in charge of computer software. Kyodo News agency quoted his wife as saying in the petition.

Yoshihito Yoshikawa, an official at the government's Labour Standards Direction Bureau, confirmed the bureau received the petition but refused to disclose its contents.

According to Kyodo, the petition said the deceased was ordered to ensure that more than 600 pieces of software would be problem-free.

The work did not go well, and he would come home after 10:00 pm complaining to his wife that "I want to die," Kyodo said. He jumped to his death from their apartment building in February of last year.

"Because he was forced to do excessive work... causing psychological problems, he committed suicide,"

If the Labour Standards Direction Bureau approves her petition, she will be eligible to receive compensation worth two-thirds of her husband's salary, Yoshikawa said.



Michiyo Tokunaga, an employee of Japan's electronic giant Hitachi, displays the latest "Pikachu" bedding dryer AE-25P, standing 162 cm tall and 144 cm wide, in Tokyo Friday. The popular cartoon character of Pocket Monster is a bed-dryer, priced at 13,800 yen (USD\$115.00), which when placed on a bed emits hot air from a small main unit, which is a necessity during the damp and rainy season in Japan. —AFP photo

Weekly Currency Roundup

July 4-July 8, 1999
Local Market

Last week, the local forex market was a little quiet. In the early half of the week, there was a moderate demand for dollar as the New York market was closed for the Independence Day holiday. Many corporate clients were a bit reluctant to cover their exposure due to holidays in the US. In general, the market was steady and dollar traded in a narrow range against taka.

There was ample supply of dollar in the market due inward remittances sent by expatriate Bangladeshis. The demand for forward cover among corporate clients picked up on Wednesday, as Thursday was a general strike and corporate clients felt uncomfortable leaving their exposure unhedged. In the interbank market, US dollar ranged between BDT 48.65 and BDT 48.67. Cash US dollar traded in a higher range of BDT 50.00 and BDT 50.40 during the week.

The call money market was quiet throughout the week. In the later part of the week, there was considerable liquidity in the market and as a result the call money rate witnessed a downward trend. Throughout the week, the call rate fluctuated between 5.5 to 7.5 per cent.

Bangladesh Bank accepted treasury bills worth of 7,110 million. Of this, BDT 5,600 million were offered for 28 days at the rate of 7.50 per cent, BDT 160 million for 182 days at 8.85 per cent, BDT 1250 million for 364 days at 9.26 per cent and BDT 100 million for 2 years at 9.25 per cent.

International Market
The early part of the week in the international markets saw dollar becoming stronger against yen and traded at 122 yen-dollar. Dollar was confined to an extremely tight range for the rest of the week amid nervousness about a possible Bank of Japan intervention to buy dollars.

In the later part of the week, dollar kept pounding against European currencies, rising to all-time highs against the euro and multi-year peaks against the sterling and the Swiss franc. On Thursday, euro fell to life-of 1.0149 against dollar after the German finance minister said there was no problem with a weaker euro and it was good for the German exports.

Taking a look at the other currencies, the market players opined that sterling continues to suffer from the prospect that British interest rates could fall below the level US rates later this year for the first time in nearly 15 years. The Bank of England on Thursday kept British rates unchanged at 5.0 level with those of the US.

— Standard Chartered Bank.



An estimated 60,000 South Korean farmers burn effigies representing the enemies of farmers anti-reform forces on Friday while demanding the National Assembly to pass a law aimed at reforming agriculture cooperatives. They accused anti-reform forces of delaying the passage of the law to protect the interest of the establishment. —AFP photo

A litmus test of India's commitment to reforms

NEW DELHI, July 9: Foreign insurers have waited patiently for the doors to India's state-controlled industry to open, but too long a delay could see their enthusiasm wither and damage investor perceptions of broader economic reforms, reports Reuters.

Insurance is seen by foreign investors as a litmus test of India's commitment to economic reforms that began in 1991. It remains the only sector isolated from the wave of deregulation and liberalisation.

Delays might annoy insurers, but more importantly they will prevent the vital injection of billions of dollars desperately needed to boost India's creaking infrastructure.

"There is no loss of patience at this moment as the serious players are looking at India as part of their overall strategic plans," said Naren N Joshi,

chief adviser at ING Insurance. "As of now I don't think we have lost out, but too much delay can have its own implications," Joshi told Reuters.

Official estimates say India needs \$50 billion of funds to boost creaking infrastructure, bottlenecks in which are a key factor holding up rapid economic expansion.

Fast growth in the insurance sector could generate \$20 billion over the next 10 years and meet 40 per cent of funds required to boost the nation's infrastructure.

India's insurance business is presently worth \$6.6 billion, or about 0.31 per cent of the global total. Penetration, as a percentage of gross domestic product (GDP), is two per cent.

An annual 15 per cent growth in premiums could see penetration at four per cent of GDP net premium income of

some \$26 billion.

Industry officials say India, with a population of 975 million people, is not investing enough in the insurance sector.

They say lack of competition and low income levels — one in three Indians are estimated to live below the poverty line — restrict the industry's growth.

"But as the economy opens up and there is a sustained growth in GDP, it will need to increase in consumer surplus and this would find its way in the insurance sector," Jacob said.

Officials hope liberalisation of the industry would lead to greater coverage, a better dispute settlement mechanism, improved quality of service and security of investment from private firms.

enough for officials to be concerned about the domestic consequences of a failure to open the market.

Yet more pressure comes from the international arena.

Government officials and insurance sources say a prolonged delay could see the patience of foreign investors wear thin.

India and China are among the world's last great untapped markets and Western insurers have ploughed millions of dollars into each, setting up offices and gently prodding at officials to open up.

The strategy has secured licenses for 14 firms from Beijing and the promise to gradually free the market over a period of years.

In India, it has yielded nothing. Reform has been promised

since the early 1990s, but political instability and ideological differences have halted moves to allow foreigners a foothold in the sector, a government monopoly for decades.

Legislation was introduced in 1997 by the then United Front government, but withdrawn after stiff opposition from left-wing parties and the Bharatiya Janata Party.

Prime Minister Atal Behari Vajpayee's alliance a year later pledged to open the industry by limiting foreign equity to 26 per cent in domestic private insurance firms.

The defeat of Vajpayee's coalition in April put the plan to open the market by year end on the backburner.

Only a general government after the general elections in September can take a decision and obtain a parliamentary ap-

proval," a finance ministry official said.

Most foreign insurers say they have factored the delay into their business plans.

"We do understand that in developing markets such delays could occur," said Antony Jacob, chief executive officer of Royal & Sun Alliance's India operations.

Asked whether Royal & Sun Alliance was disappointed by the delay, Jacob said: "Disappointment stems from our eagerness to participate in the Indian market."

Insurers said there were encouraging signs of a consensus emerging among main political parties to open the industry.

"Over a period of time there has been an increasing consensus across the spectrum of political parties on the need to open up the insurance sector," Joshi said.

Crisis to force SilkAir suspend Jakarta flights

SINGAPORE, July 9: Singapore's regional airline SilkAir will suspend its service to the Indonesian capital of Jakarta starting on July 26 because of the Asian economic crisis, the airline said Friday, reports AP.

"Traffic between Singapore and Jakarta has declined over the past year, and the present capacity on the route is more than adequate," SilkAir general manager Mak Swee Wah said in a statement issued to the media.

The decision to halt SilkAir's 12 weekly flights between Singapore and Jakarta followed "a network review conducted in the light of the recent crisis in the region," the statement said.

SilkAir pointed out that its parent company, national carrier Singapore Airlines, already offers seven flights a day between Singapore and Jakarta.

"We felt it would be better to focus our attention on our other Indonesian services," Mak said.

SilkAir's other Indonesian destinations include Medan, Manado, Pekanbaru, Padang, Solo, Ujung Pandang, Balikpapan and the island of Lombok.

SilkAir flies to 20 cities in nine countries; the statement said.

HK to introduce bill to promote e-commerce

HONG KONG, July 9: Hong Kong's government will introduce a new bill next week to provide a clear legal framework to promote the wide adoption of commercial electronic transactions, officials said Friday, says AP.

Under the bill to be introduced to the legislature Wednesday, the government proposes to give electronic records and digital signatures used in electronic transactions the same legal status as their paper-based counterparts.

"The Electronic Transactions Bill is an important measure to provide certainty and security for the conduct of electronic commerce, thereby propelling the further development of Hong Kong into an information society," said a spokesman for the information technology and broadcasting bureau.

But he added: "While it is our policy objective to promote the wider adoption of electronic transactions in Hong Kong, we recognise that for the time being certain types of transactions would preferably be conducted through conventional means because of their solemnity, significance, complexity or other factors."

Generic items such as wills, trust, statutory declarations, affidavits, power of attorney, court orders, warrant, bills of exchange, documents or instruments concerns land or property transactions are exempt from the proposed legislation.

UK awaits key economic data

LONDON, July 9: Next week sees an important raft of data, which should give important clues to the state of Britain's economy, in particular inflationary pressures, says Reuters.

The biggest day of the week will be Tuesday, when retail price inflation data for June are released, figures which have a direct bearing on the Bank of England's monetary policy.

Last month, figures for May showed inflation fell to 1.3 per cent, its lowest for five years. More importantly, the underlying measure which the BoE's Monetary Policy Committee targets, slid to 2.1 per cent.

Economists are expecting June's figure to be at 2.1 per cent again, or even slightly higher, due to possible rises in seasonal food prices, which fell sharply in May.

"Seasonal food prices should be a hindrance rather than a help, a mixed picture this time should compare with a sharper than normal fall a year ago," said Philip Shaw, chief economist at Investec Bank.

The MPC has a government-set target for underlying inflation, or RPIX, of 2.5 per cent. The target is symmetrical, meaning an undershoot is as undesirable as an overshoot.